

CITY OF ALTON, IOWA
Alton, Iowa

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION AND
SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended
June 30, 2014

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CITY OF ALTON, IOWA

OFFICIALS

Name	Title	Term Expires
Ron Minten	Mayor	December, 2017
Blake Bengard	Mayor Pro-Tem	December, 2017
Leon Kleinhesselink	Council Member	December, 2015
Brian Schutt	Council Member	December, 2017
Dan Vande Griend	Council Member	December, 2017
Steve Zenor	Council Member	December, 2015
Dale Oltmans	City Administrator	No Term Limit
Laurie Stoos	Deputy Clerk	No Term Limit
Brad DeJong	Attorney	December, 2014

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
Alton, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities each major fund, and the aggregate remaining fund information of the City of Alton, Iowa as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alton, Iowa, as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters

Supplementary and Other Information

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 4 through 8 and 22 through 23 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we do not express an opinion or provide any assurance on it.

The supplementary information included as Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 1, 2014 on our consideration of the City of Alton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Alton's internal control over financial reporting and compliance.


Certified Public Accountants

Le Mars, Iowa

December 1, 2014

CITY OF ALTON, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

The City of Alton provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Receipts of the General Fund increased \$11,703.
- Disbursements of the General Fund increased \$6,826.
- The City's total General Fund cash basis net position increased \$51,348 for fiscal year 2014. This is due to overall actual expenses being less than budgeted expenses and also the inclusion of the Recreation Board and Historical Board cash balances.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statements consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the City's nonmajor governmental funds.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position on a cash basis. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax, state and federal grants, and charges for services finance most of these activities.
- Business-type activities include the electric, water, sewer and gas. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Tax Increment Financing, 3) the Debt Service Fund, and 4) the Capital Projects Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements, and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The city maintains four Enterprise Funds to provide separate information for the Water Fund, Electric Fund, Sewer Fund and Gas Fund.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements, and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, to \$799,225 from \$1,277,255. The analysis that follows focuses on the changes in cash balances for governmental activities and business-type activities.

Changes in Cash Basis Net Position of Governmental Activities

	Year Ended June 30,	
	2014	2013
Receipts:		
Program Receipts:		
Charges for Service	\$137,670	\$125,847
Operating Grants & Contributions	225,326	183,994
General Receipts		
Property Tax	477,207	448,541
Tax Increment Financing Collections	401,658	394,695
Local Option Sales Tax	137,055	142,340
Interest	5,089	3,006
Other General Receipts	67,262	29,661
Sale of Assets	2,849	-
Proceeds from Financing	-	870,000
Total Receipts	<u>1,454,116</u>	<u>2,198,084</u>
Disbursements:		
Public Safety	187,162	197,509
Public Works	265,821	220,040
Health and Social Services	1,270	29,380
Culture and Recreation	153,611	140,316
Community and Economic Development	29,102	71,244
General Government	90,650	92,542
Debt Service	671,000	655,831
Capital Projects	452,737	250,855
Total Disbursements	<u>1,851,353</u>	<u>1,657,717</u>
Change in Cash Basis Net Position Before Transfers	(397,237)	540,367
Net Transfers	(94,575)	15,460
Cash Basis Net Position – Beginning of Year	1,277,255	662,901
Prior Period Adjustment	13,782	58,527
Cash Basis Net Position – Beginning of Year Restated	<u>1,291,037</u>	<u>721,428</u>
Cash Basis Net Position – End of Year	<u>\$799,225</u>	<u>\$1,277,255</u>

Changes in Cash Basis Net Position of Business Type Activities

	2014	2013
Receipts:		
Operating Receipts:		
Water	\$236,107	\$244,112
Electric	995,637	876,617
Sewer	137,697	128,623
Gas	856,975	451,688
Interest	6,577	9,322
Proceeds from Financing	-	20,000
Total Receipts	<u>2,232,993</u>	<u>1,730,362</u>
Disbursements:		
Operating Disbursements:		
Water	245,956	219,769
Electric	951,151	903,766
Sewer	146,577	95,533
Gas	770,044	447,323
Total disbursements	<u>2,113,728</u>	<u>1,666,391</u>
Change in Cash Basis Net Position, Before Transfers	119,265	63,971
Net Transfers	94,575	(15,460)
Cash Basis Net Position – Beginning of Year	1,725,489	1,676,978
Cash Basis Net Position – End of Year	<u>\$1,939,329</u>	<u>\$1,725,489</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Alton completed the year, its governmental funds reported a combined cash balance of \$799,225, a decrease of \$478,030 over last year's total of \$1,277,255.

The cash balance in the General fund increased by approximately \$51,000 during 2014 due primarily to more transfers in during 2014. The Debt Service fund cash balance decreased by approximately \$380,000 due to less transfers in during 2014 compared to 2013. Capital Streets fund cash balance decreased by approximately \$106,000 due to a large street repair project done in fiscal year 2014. All other major governmental funds remained consistent with the prior year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

As the City of Alton completed the year, its business type funds reported a combined cash balance of \$1,939,329, an increase of \$213,840 over last year's total of \$1,725,489. The increase is due to increased utility sales in the Electric and Natural Gas utilities due to the record cold temperatures and grain drying.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. This amendment was approved on June 2, 2014 and resulted in an increase in budgeted disbursements of \$1,242,726.

DEBT ADMINISTRATION

A comparison of the City's debt outstanding at June 30, 2014 to June 30, 2013 follows:

	Year Ended June 30,	
	2014	2013
G.O. Bonds and Notes	\$ 1,430,000	\$ 2,030,000
Water Revenue Bonds	65,000	71,000
Gas Revenue Bonds	606,000	639,000
Total	<u>\$ 2,101,000</u>	<u>\$ 2,740,000</u>

Additional information on the City's long-term debt can be found in Note 3.

ECONOMIC FACTORS

The City purchased several new sets of bunker gear for new fireman at a cost of \$11,267.

The City purchased a used snowplow for streets at a cost of \$15,500.

The City purchased a new Ford ¾ Ton Pickup for Water/Wastewater at a cost of \$26,245.

The City purchased a 2009 Aerial Lift Truck for the Electric Department at a cost of \$87,100.

The City completed an office addition for Public Works and utilities at a total cost of \$105,720.

The City completed installation of two natural gas backup generators for the two sanitary sewer lift stations. This projects total cost was \$72,943, with \$50,762 paid with proceeds from a FEMA grant, and \$22,181 paid by the City's sewer fund.

The City completed overlay and sealing of several streets and other street repairs at a cost of \$174,603. \$106,375 of the funds were from proceeds of a bond issued in the previous fiscal year, and the remaining amount from the RUT fund budgeted amount and reserves.

The City began a project that included purchasing and constructing a playground play structure and updating existing facilities in the East side park at a cost of \$69,947.

The City provided financial incentives to a party who constructed a commercial building housing an Inflatable Rental business and an Auto Detailing business.

The City provided financial incentives to the City of Orange City towards a new nursing home.

Five new residential housing units were completed.

Two new commercial buildings were constructed.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact Dale Oltmans, City Administrator, Alton, Iowa.

BASIC FINANCIAL STATEMENTS

CITY OF ALTON, IOWA
STATEMENT OF ACTIVITIES AND NET POSITION - CASH BASIS
For the Year Ended June 30, 2014

Functions/Programs	Disbursements	Program Receipts	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental Activities:			
Public Safety	\$ 187,162	\$ 8,974	\$ 26,723
Public Works	265,821	78,544	172,184
Health and Social Services	1,270	-	-
Culture and Recreation	153,611	17,933	26,419
Community and Economic Development	29,102	-	-
General Government	90,650	32,219	-
Capital Outlay	452,737	-	-
Debt Service:			
Principal	600,000	-	-
Interest and Fees	71,000	-	-
Total Governmental Activities	1,851,353	137,670	225,326
Business-Type Activities:			
Electric Utility	951,151	995,637	-
Sewer Utility	146,577	137,697	-
Water Utility	245,956	236,107	-
Gas Utility	770,044	856,975	-
Total Business-Type Activities:	2,113,728	2,226,416	-
Total Primary Government	\$ 3,965,081	\$ 2,364,086	\$ 225,326

General Receipts:
 Property taxes
 Tax Increment Financing
 Local Option Sales Tax
 Interest
 Sale of Assets
 Miscellaneous
 Interfund Transfers
 Total general receipts and transfers
 Change in cash basis net position
 Net position cash basis - beginning
 Prior period adjustment
 Cash basis net position - beginning, as restated
 Cash basis net position, ending

Cash Basis Net Position
 Restricted:
 Streets
 Urban Renewal Purpose
 Debt Service
 Local Option Sales Tax
 Employee Benefits
 Unrestricted
 Total Cash Basis Net Position

Net (Disbursements) Receipts and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (151,465)		\$ (151,465)
(15,093)		(15,093)
(1,270)		(1,270)
(109,259)		(109,259)
(29,102)		(29,102)
(58,431)		(58,431)
(452,737)		(452,737)
(600,000)		(600,000)
(71,000)		(71,000)
<u>(1,488,357)</u>		<u>(1,488,357)</u>
	\$ 44,486	44,486
	(8,880)	(8,880)
	(9,849)	(9,849)
	<u>86,931</u>	<u>86,931</u>
	<u>112,688</u>	<u>112,688</u>
<u>(1,488,357)</u>	<u>112,688</u>	<u>(1,375,669)</u>
477,207	-	477,207
401,658	-	401,658
137,055	-	137,055
5,089	6,577	11,666
2,849	-	2,849
67,262	-	67,262
(94,575)	94,575	-
<u>996,545</u>	<u>101,152</u>	<u>1,097,697</u>
(491,812)	213,840	(277,972)
1,277,255	1,725,489	3,002,744
13,782	-	13,782
<u>1,291,037</u>	<u>1,725,489</u>	<u>3,016,526</u>
<u>799,225</u>	<u>1,939,329</u>	<u>2,738,554</u>
62,152	-	62,152
64,028	-	64,028
60,460	76,947	137,407
96,783	-	96,783
30,104	-	30,104
485,698	1,862,382	2,348,080
<u>\$ 799,225</u>	<u>\$ 1,939,329</u>	<u>\$ 2,738,554</u>

See Accompanying Notes to Financial Statements

CITY OF ALTON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
Governmental Funds
As of and For the Year Ended June 30, 2014

	Special Revenue		
	General	Local Option Sales Tax	Tax Increment Financing
Receipts:			
Property Taxes	\$ 263,541	\$ -	\$ -
Tax Increment Financing	-	-	308,582
Licenses and Permits	21,504	-	-
Intergovernmental	34,914	137,055	-
Charges for Services	98,464	-	-
Fines	1,439	-	-
Special Assessments	-	-	-
Rental of City Property	9,715	-	-
Interest on Investments	1,663	-	172
Miscellaneous	29,845	-	-
Total Receipts	461,085	137,055	308,754
Disbursements:			
Public Safety	186,162	-	-
Public Works	106,566	-	-
Health and Social Services	1,270	-	-
Culture and Recreation	143,966	-	-
Community and Economic Development	16,593	-	-
General Government	78,765	-	-
Capital Projects	17,000	-	-
Debt Service:			
Principal Retirement	-	-	-
Interest and Fees	-	-	-
Total Disbursements	550,322	-	-
Excess (Deficiency) of Receipts to Disbursements	(89,237)	137,055	308,754
Other financing sources (uses):			
Sale of Assets	-	-	-
Transfers In	194,667	-	-
Transfers Out	(67,864)	(174,755)	(307,260)
Total other financing sources (uses)	126,803	(174,755)	(307,260)
Change in Cash Balances	37,566	(37,700)	1,494
Cash Balances Beginning of Year	139,977	134,483	2,743
Prior Period Adjustment	13,782	-	-
Cash Balances Beginning of Year, Restated	153,759	134,483	2,743
Cash Balances End of Year	\$ 191,325	\$ 96,783	\$ 4,237
Cash Basis Fund Balances			
Restricted for:			
Debt service	\$ -	\$ -	\$ -
Economic Development	49,727	-	4,237
Streets	-	-	-
Employee Benefits	-	-	-
Other Purposes	-	96,783	-
Assigned to:			
Capital Equipment	-	-	-
Capital Improvements	-	-	-
Library	37,098	-	-
Fire Department	42,887	-	-
Recreation Board	6,019	-	-
Historical Board	9,107	-	-
Unassigned	46,487	-	-
Total Cash Basis Fund Balances	\$ 191,325	\$ 96,783	\$ 4,237

See Accompanying Notes to Financial Statements

Capital Project			Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
Capital Equipment	Capital Streets	Housing Rehabilitation			
\$ -	\$ -	\$ -	\$ 188,658	\$ 25,008	\$ 477,207
-	-	-	-	93,076	401,658
-	-	-	-	-	21,504
-	-	-	-	172,184	344,153
-	-	-	-	-	98,464
-	-	-	-	-	1,439
-	-	-	5,597	-	5,597
-	-	-	-	1,100	10,815
409	-	165	2,617	63	5,089
1,900	-	-	-	53,596	85,341
2,309	-	165	196,872	345,027	1,451,267
-	-	-	-	1,000	187,162
-	-	-	-	159,255	265,821
-	-	-	-	-	1,270
-	-	-	-	9,645	153,611
-	-	-	-	12,509	29,102
-	-	-	-	11,885	90,650
128,845	106,374	530	-	199,988	452,737
-	-	-	600,000	-	600,000
-	-	-	71,000	-	71,000
128,845	106,374	530	671,000	394,282	1,851,353
(126,536)	(106,374)	(365)	(474,128)	(49,255)	(400,086)
2,849	-	-	-	-	2,849
148,100	-	32,388	93,601	123,184	591,940
(24,000)	-	-	-	(112,636)	(686,515)
126,949	-	32,388	93,601	10,548	(91,726)
413	(106,374)	32,023	(380,527)	(38,707)	(491,812)
113,403	132,826	131,181	440,987	181,655	1,277,255
-	-	-	-	-	13,782
113,403	132,826	131,181	440,987	181,655	1,291,037
\$ 113,816	\$ 26,452	\$ 163,204	\$ 60,460	\$ 142,948	\$ 799,225
\$ -	\$ -	\$ -	\$ 60,460	\$ -	\$ 60,460
-	-	-	-	10,064	64,028
-	-	-	-	62,152	62,152
-	-	-	-	30,104	30,104
-	-	-	-	-	96,783
113,816	-	-	-	-	113,816
-	26,452	163,204	-	40,628	230,284
-	-	-	-	-	37,098
-	-	-	-	-	42,887
-	-	-	-	-	6,019
-	-	-	-	-	9,107
-	-	-	-	-	46,487
\$ 113,816	\$ 26,452	\$ 163,204	\$ 60,460	\$ 142,948	\$ 799,225

See Accompanying Notes to Financial Statements

CITY OF ALTON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
Proprietary Funds
As of and For the Year Ended June 30, 2014

	Enterprise Funds	
	Electric Utility	Water Utility
Operating Receipts:		
Charges for Services	\$ 995,637	\$ 236,107
Total Operating Receipts	<u>995,637</u>	<u>236,107</u>
Operating Disbursements:		
Operating Disbursements	936,735	232,140
Capital Outlay	14,416	6,130
Total Operating Disbursements	<u>951,151</u>	<u>238,270</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>44,486</u>	<u>(2,163)</u>
Non-Operating Receipts (Disbursements):		
Interest Income	2,794	1,764
Interest Expense	-	(1,686)
Principal Payments	-	(6,000)
Total Non-Operating Receipts (Disbursements)	<u>2,794</u>	<u>(5,922)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>47,280</u>	<u>(8,085)</u>
Transfers In	145,716	69,183
Transfers Out	<u>(115,600)</u>	<u>(21,250)</u>
Change in Cash Balances	77,396	39,848
Cash Balances Beginning of Year	<u>735,895</u>	<u>368,676</u>
Cash Balances End of Year	<u><u>813,291</u></u>	<u><u>408,524</u></u>
Cash Basis Fund Balances		
Restricted for Debt Service	-	-
Unrestricted	813,291	408,524
Total Cash Basis Fund Balances	<u>\$ 813,291</u>	<u>\$ 408,524</u>

See Accompanying Notes to Financial Statements

Enterprise Funds		
Sewer Utility	Gas Utility	Total
\$ 137,697	\$ 856,975	\$ 2,226,416
137,697	856,975	2,226,416
141,390	704,999	2,015,264
5,187	3,357	29,090
146,577	708,356	2,044,354
(8,880)	148,619	182,062
1,146	873	6,577
-	(28,688)	(30,374)
-	(33,000)	(39,000)
1,146	(60,815)	(62,797)
(7,734)	87,804	119,265
65,385	2,072	282,356
(43,431)	(7,500)	(187,781)
14,220	82,376	213,840
340,759	280,159	1,725,489
354,979	362,535	1,939,329
-	76,947	76,947
354,979	285,588	1,862,382
\$ 354,979	\$ 362,535	\$ 1,939,329

See Accompanying Notes to Financial Statements

CITY OF ALTON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Alton is a political subdivision of the State of Iowa located in Sioux County. It was first incorporated in 1883 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, health and social services, community and economic development and general government services. The City also provides water, sewer, electrical, and natural gas utilities for its citizens.

A. Reporting Entity

For Financial reporting purposes, the City of Alton has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Alton has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: County Emergency Management Commission, Northwest Iowa Solid Waste, Northwest Iowa Economic Development Coalition, and Northwest Iowa Regional Housing Authority.

B. Basis of Presentation

Government-wide Financial Statements – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. The effect of interfund activity has been removed from these statements. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in two categories:

Restricted net position results when constraints placed on net position use is either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of the preceding category. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

CITY OF ALTON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

Local Option Sales Tax Fund is used to account for local option sales tax collections to be used for specific purposes within the City.

Tax Increment Financing Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

Capital Project:

Capital Equipment Fund is used to accumulate resources used for equipment acquisitions.

Capital Streets Fund is used to accumulate resources for repair and maintenance of the City's streets.

Housing Rehabilitation Fund is used to accumulate resources for the rehabilitation of homes within the City.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

CITY OF ALTON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Electric Fund accounts for the operation and maintenance of the City's electric system.

The Gas Fund accounts for the operation and maintenance of the City's gas system.

C. Measurement Focus and Basis of Accounting

The City of Alton maintains its financial records on the basis of cash receipts and disbursements which is an other comprehensive basis of accounting and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and other accrued items as well as fixed assets. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. This, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

**CITY OF ALTON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amount budgeted in the Public Safety, Public Works, Health & Social Services, Culture and Recreation, and Capital Projects functions.

Note 2 – CASH AND POOLED INVESTMENTS

The City's deposits at June 30, 2014 were entirely covered by Federal depository insurance, or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments or time deposits at June 30, 2014.

Interest Rate Risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

NOTE 3 – BONDS AND NOTES PAYABLE

The following is a summary of bond transactions of the City for the year ended June 30, 2014:

	Governmental Activities	Business-Type Activities
	Bonds and Notes Payable by Debt Service Fund	Bonds and Notes Paid by Enterprise Funds
Primary Government		
Bonds and notes payable July 1, 2013	\$ 2,030,000	\$ 710,000
Plus: bonds and notes issued	-	-
Less: payments	(600,000)	(39,000)
Bonds and notes payable June 30, 2014	1,430,000	671,000
Due within one year	\$ 255,000	\$ 39,000

CITY OF ALTON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 – BONDS AND NOTES PAYABLE (CONTINUED)

The City of Alton had the following outstanding bonds as of June 30, 2014:

Bond/Note	Date of Issue	Interest Rate	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2014	Due Within One Year
General Obligation-Series 2009A	09/23/09	3.00-4.05%	2020	\$55,000 - \$85,000	\$ 725,000	\$ 475,000	\$ 70,000
General Obligation-Series 2010	06/01/10	1.5-3.05%	2017	\$70,000 - \$150,000	680,000	200,000	60,000
General Obligation-Series 2013A	06/27/13	2.0-2.5%	2025	\$15,000 - \$85,000	475,000	390,000	90,000
General Obligation-Hospital	06/27/13	2.0-2.5%	2025	\$30,000 - \$35,000	395,000	365,000	35,000
Water Revenue Bond	10/15/03	3.00%	2023	\$5,000 - \$8,000	65,000	65,000	6,000
Gas Revenue Bond	09/03/12	4.55%	2027	\$16,000 - \$41,000	606,000	606,000	33,000
Total Bonds Due					<u>\$ 3,080,000</u>	<u>\$ 2,101,000</u>	<u>\$ 294,000</u>

Annual debt service requirements to maturity of General Obligation Bonds and Notes, revolving loan fund loans, special assessment notes and Revenue Capital Loan Notes are as follows:

Year Ending June 30	Series 2009A 10 th Street Bond		Series 2010 GO Bond		Series 2013A Industrial Park Paving Bond		Refunding Series 2013B Hospital Project		Total Governmental	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 70,000	\$17,320	\$ 60,000	\$ 5,680	\$ 90,000	\$5,700	\$35,000	\$7,575	\$ 255,000	\$ 36,275
2016	75,000	15,080	70,000	4,270	95,000	4,800	35,000	7,050	275,000	31,200
2017	80,000	12,643	70,000	2,136	85,000	3,850	35,000	6,438	270,000	25,067
2018	80,000	9,843	-	-	15,000	3,000	35,000	5,825	130,000	18,668
2019	85,000	6,842	-	-	15,000	2,625	35,000	5,213	135,000	14,680
2020-2024	85,000	3,442	-	-	75,000	7,500	160,000	15,387	320,000	26,329
2025-2029	-	-	-	-	15,000	375	30,000	750	45,000	1,125
Total	<u>\$475,000</u>	<u>\$65,170</u>	<u>\$200,000</u>	<u>\$12,086</u>	<u>\$390,000</u>	<u>\$27,850</u>	<u>\$365,000</u>	<u>\$48,238</u>	<u>\$1,430,000</u>	<u>\$153,344</u>

Year Ending June 30	Gas Utility Revenue Note		Water Revenue Bond		Total Business Type Funds	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 33,000	\$ 27,186	\$ 6,000	\$ 1,950	\$ 39,000	\$ 29,136
2016	38,000	25,639	7,000	1,770	45,000	27,409
2017	38,000	23,910	7,000	1,560	45,000	25,470
2018	38,000	22,181	7,000	1,350	45,000	23,531
2019	43,000	20,384	7,000	1,140	50,000	21,524
2020 - 2024	235,000	71,754	31,000	2,370	266,000	74,124
2025 - 2029	181,000	15,311	-	-	181,000	15,311
Total	<u>\$ 606,000</u>	<u>\$206,365</u>	<u>\$ 65,000</u>	<u>\$10,140</u>	<u>\$ 671,000</u>	<u>\$216,505</u>

The City has pledged future water utility receipts, net of specified operating disbursements, to repay \$125,000 of water revenue bonds issued in October 2003. Proceeds from the bonds provided financing for the construction of water main extensions. The bonds are payable solely from water customer net receipts and are payable through 2023. The total principal and interest remaining to be paid on the bond is \$75,140. For the current year, principal and interest paid and total customer net receipts were \$7,686 and \$(399), respectively.

**CITY OF ALTON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 – BONDS AND NOTES PAYABLE (CONTINUED)

The City has pledged future gas utility receipts, net of specified operating disbursements, to repay gas revenue bonds. These bonds were originally issued at \$680,000 in March 2009 and were refinanced in June 2013, adding an additional \$20,000 to the bond. The bond carries an interest rate of 4.55% and matures in 2027. Proceeds from the bonds provided financing for acquisition of the City's gas infrastructure. The bonds are payable solely from gas customer net receipts and are payable through 2027. The total principal and interest remaining to be paid on the bond is \$812,365. For the current year, principal and interest paid and total customer net receipts were \$61,688 and \$149,492, respectively.

The resolution providing for the issuance of the gas revenue bond includes the following provisions:

- (a) The bond will only be redeemed from future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to the gas bond sinking accounts within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) The Reserve Fund shall be used to maintain the Reserve Fund Requirement per the resolution. In each month there shall be deposited in the Reserve Fund an amount equal to 25% of the amount required by this Resolution to be deposited in such month in the Sinking Fund.
- (d) Additional monthly transfers of \$500 to a Gas Improvement Fund within the Enterprise Funds shall be made until specific minimum balances have been accumulated. Money in this account shall be used solely for the purpose of paying the cost of capital maintenance expenses or repairs to the System, including metering and billing systems, if necessary. Whenever it shall become necessary to so use the money in the Improvement Fund, the payments required above shall be continued or resumed until it shall have been restored to the required minimum amount.

The City complied with these provisions.

NOTE 4 – PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

The City's payroll for employees covered by the System for the year ended June 30, 2014 was \$358,468. The total City payroll for the fiscal year was \$389,773. All full-time City employees are eligible to participate in IPERS. Benefits vest after 4 years (or 16 quarters) of service or when the employee attains the age of 55, whichever comes first. Employees are eligible to retire at or after age 55 and are entitled to an annual retirement benefit, payable monthly for life, in an amount calculated on an average of their highest 3 year average salary. IPERS also provides death and disability benefits.

CITY OF ALTON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 – PENSION AND RETIREMENT BENEFITS (CONTINUED)

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$32,011, \$29,133, and \$28,063, respectively, equal to the required contributions for each year.

NOTE 5 – RISK MANAGEMENT

The City of Alton is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City of Alton assumes liability for any deductibles and claims in excess of coverage limitations. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 6 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2014, is as follows:

Transfers In	Transfers Out									Total
	General	TIF	Local Option Sales Tax	Capital Equipment	Nonmajor Governmental	Electric	Water	Sewer	Gas	
General	\$ -	\$ -	\$ 174,755	\$ -	\$ 19,912	\$ -	\$ -	\$ -	\$ -	\$ 194,667
Debt Service	-	93,601	-	-	-	-	-	-	-	93,601
Capital Equipment	33,000	-	-	-	6,000	93,100	5,000	5,000	6,000	148,100
Housing Rehabilitation	-	-	-	-	32,388	-	-	-	-	32,388
Nonmajor Governmental	34,864	-	-	-	9,639	22,500	16,250	38,431	1,500	123,184
Electric	-	98,621	-	24,000	23,095	-	-	-	-	145,716
Water	-	51,501	-	-	17,682	-	-	-	-	69,183
Sewer	-	61,465	-	-	3,920	-	-	-	-	65,385
Gas	-	2,072	-	-	-	-	-	-	-	2,072
Total	\$ 67,864	\$ 307,260	\$ 174,755	\$ 24,000	\$ 112,636	\$ 115,600	\$ 21,250	\$ 43,431	\$ 7,500	\$ 874,296

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. Move revenues restricted to debt service from the fund collecting the revenues to the debt service fund as debt service payments become due.
3. TIF transfers are used to repay debt obligations from enterprise funds.

NOTE 7 – PRIOR PERIOD ADJUSTMENT

The City of Alton's Recreation Board and Historical Board were not included in the general fund activity in the prior year, but is now included. Therefore, cash balance at the beginning of the year for the general fund have been changed to include the Recreation Board and Historical Board's beginning cash balance of \$7,960 and \$5,822 respectively. Beginning cash of \$139,977 has been increased to \$153,759 to reflect the two Board's beginning cash. Total governmental funds beginning cash of \$1,277,255 has been increased to \$1,291,037 to reflect this change.

OTHER INFORMATION

CITY OF ALTON, IOWA
OTHER INFORMATION
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN BALANCES BUDGET AND ACTUAL
(CASH BASIS)- ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property Taxes	\$ 477,207	\$ -	\$ 477,207	\$ 473,880	\$ 473,880	\$ 3,327
TIF Revenue	401,658	-	401,658	411,973	411,973	(10,315)
Licenses and Permits	21,504	-	21,504	17,855	17,855	3,649
Intergovernmental	344,153	-	344,153	336,987	336,987	7,166
Charges for Services	98,464	2,226,416	2,324,880	1,782,829	2,180,229	144,651
Special Assessments	5,597	-	5,597	6,206	6,206	(609)
Rental of City Property	10,815	-	10,815	-	-	10,815
Interest on Investments	5,089	6,577	11,666	37,050	37,050	(25,384)
Miscellaneous	86,780	-	86,780	145,525	182,550	(95,770)
Total Receipts	1,451,267	2,232,993	3,684,260	3,212,305	3,646,730	37,530
Disbursements						
Public Safety	187,162	-	187,162	204,862	208,147	20,985
Public Works	265,821	-	265,821	223,962	291,212	25,391
Health and Social Services	1,270	-	1,270	1,400	1,400	130
Culture and Recreation	153,611	-	153,611	178,512	201,812	48,201
Community and Economic Development	29,102	-	29,102	41,082	42,432	13,330
General Government	90,650	-	90,650	91,477	99,994	9,344
Capital Projects	452,737	-	452,737	320,825	538,425	85,688
Debt Service	671,000	-	671,000	278,356	759,330	88,330
Business Type / Enterprises	-	2,113,728	2,113,728	1,969,052	2,409,502	295,774
Total Disbursements	1,851,353	2,113,728	3,965,081	3,309,528	4,552,254	587,173
Excess (Deficiency) of receipts over disbursements	(400,086)	119,265	(280,821)	(97,223)	(905,524)	624,703
Other financing sources (uses):						
Proceeds from Debt Financing	-	-	-	55,000	76,800	(76,800)
Sale of Assets	2,849	-	2,849	-	-	2,849
Transfers In	591,940	282,356	874,296	721,358	888,358	(14,062)
Transfers (Out)	(686,515)	(187,781)	(874,296)	(721,358)	(888,358)	14,062
Total other financing sources (uses)	(91,726)	94,575	2,849	55,000	76,800	(73,951)
Excess of receipts and other financing sources over disbursements and other financing uses	(491,812)	213,840	(277,972)	(42,223)	(828,724)	550,752
Balances Beginning of Year	1,277,255	1,725,489	3,002,744	3,002,744	3,002,744	-
Prior Year Adjustment	13,782	-	13,782	13,782	13,782	-
Balances End of Year	\$ 799,225	\$ 1,939,329	\$ 2,738,554	\$ 2,974,303	\$ 2,187,802	\$ 550,752

**CITY OF ALTON, IOWA
NOTES TO OTHER INFORMATION –
BUDGETARY REPORTING
JUNE 30, 2014**

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Proprietary Funds. Although the adopted budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budget disbursements by \$1,242,726. The budget amendment is reflected in the final budgeted amounts. During the year ended June 30, 2014, there were no functions in which disbursements exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

CITY OF ALTON, IOWA

COMBINING SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS AND CHANGES IN CASH BALANCES

Governmental Nonmajor Funds

As of and For the Year Ended June 30, 2014

	Special Revenue Funds		
	Road Use Tax	Employee Benefits	Housing TIF
Receipts:			
Property Taxes	\$ -	\$ 25,008	\$ -
Tax Increment Financing	-	-	93,076
Intergovernmental	121,422	-	-
Rental of City Property	-	-	-
Interest on Investments	-	-	-
Miscellaneous	-	-	-
Total Receipts	121,422	25,008	93,076
Disbursements:			
Public Safety	-	1,000	-
Public Works	129,340	29,915	-
Culture and Recreation	-	9,645	-
Community and Economic Development	-	5,621	6,888
General Government	-	11,885	-
Capital Projects	-	-	-
Total Disbursements	129,340	58,066	6,888
Excess (Deficiency) of Receipts over Disbursements	(7,918)	(33,058)	86,188
Other financing sources (uses):			
Transfers In	-	49,781	-
Transfers Out	(25,917)	-	(86,719)
Total other financing sources (uses)	(25,917)	49,781	(86,719)
Change in Cash Balances	(33,835)	16,723	(531)
Cash Balances Beginning of Year	95,987	13,381	10,595
Cash Balances End of Year	\$ 62,152	\$ 30,104	\$ 10,064
Cash Basis Fund Balances			
Restricted for:			
Economic Development	\$ -	\$ -	\$ 10,064
Streets	62,152	-	-
Employee Benefits	-	30,104	-
Assigned to:			
Capital Improvements	-	-	-
Total Cash Basis Fund Balances	\$ 62,152	\$ 30,104	\$ 10,064

Capital Project Funds					Total Governmental Nonmajor Funds
Parks & Trails	Residential Development	Flood Improvement	Industrial Park	Capital Building	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,008
-	-	-	-	-	93,076
-	-	50,762	-	-	172,184
-	-	-	1,100	-	1,100
63	-	-	-	-	63
53,301	-	-	295	-	53,596
53,364	-	50,762	1,395	-	345,027
-	-	-	-	-	1,000
-	-	-	-	-	159,255
-	-	-	-	-	9,645
-	-	-	-	-	12,509
-	-	-	-	-	11,885
69,947	9,583	72,943	1,895	45,620	199,988
69,947	9,583	72,943	1,895	45,620	394,282
(16,583)	(9,583)	(22,181)	(500)	(45,620)	(49,255)
-	40,722	22,181	-	10,500	123,184
-	-	-	-	-	(112,636)
-	40,722	22,181	-	10,500	10,548
(16,583)	31,139	-	(500)	(35,120)	(38,707)
24,806	(29,741)	-	18,404	48,223	181,655
\$ 8,223	\$ 1,398	\$ -	\$ 17,904	\$ 13,103	\$ 142,948
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,064
-	-	-	-	-	62,152
-	-	-	-	-	30,104
8,223	1,398	-	17,904	13,103	40,628
\$ 8,223	\$ 1,398	\$ -	\$ 17,904	\$ 13,103	\$ 142,948



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council
City of Alton
Alton, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Alton, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Alton, Iowa's basic financial statements and have issued our report thereon dated December 1, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Alton's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Alton's internal control. According, we do not express an opinion on the effectiveness of the City of Alton's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items II-A-14 and II-B-14 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Alton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

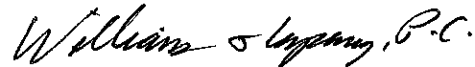
City of Alton, Iowa's Responses to Finding

The City of Alton's responses to findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the City of Alton's responses and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of the City of Alton during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.



Certified Public Accountants

Le Mars, Iowa
December 1, 2014

CITY OF ALTON, IOWA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

Part I – Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II – Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

MATERIAL WEAKNESSES:

II-A-14 Financial Accounting – Segregation of Duties

Observation – The City accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements.

Recommendation – With a limited number of personnel, segregation of duties is difficult. The City should implement management review procedures which we feel would aid in improving the internal control of the City.

Response – The City feels that additional personnel would not be cost effective. However, management will monitor transactions on a regular basis.

Conclusion – Response accepted.

II-B-14 Financial Reporting

Observation – During the audit, we identified classification of disbursements that were not properly recorded in the general ledger.

Recommendation – With limited personnel, the City should implement procedures to ensure that all cash disbursements and receipts are properly identified and recorded in the financial statements.

Response – The City will review disbursements and receipts in the future to ensure that they are properly recorded in the financial statements.

Conclusion – Response accepted.

CITY OF ALTON, IOWA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

Part III – Other Findings Related to Statutory Reporting

- III-A-14 Certified Budget** – Disbursements did not exceed amounts budgeted for any function.
- III-B-14 Questionable Disbursement** – We noted no disbursements that did not meet the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979.
- III-C-14 Travel Expense** – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-14 Business Transactions** – There were no business transactions between the City and City officials or employees noted.
- III-E-14 Bond Coverage** – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- III-F-14 Council Minutes** – No transactions were found that we believe should have been approved in the Council minutes but were not.
- III-G-14 Revenue Notes** – The City was in compliance with the requirements of its revenue notes.
- III-H-14 Deposits and Investments** – No instances of noncompliance with deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policies were noted.
- III-I-14 Urban Renewal Annual Report** – The urban renewal annual report was approved and certified to the Iowa Department of Management on or before December 1.